

AMENDED IN ASSEMBLY JUNE 11, 2012

AMENDED IN SENATE JANUARY 13, 2012

AMENDED IN SENATE JANUARY 5, 2012

AMENDED IN SENATE JANUARY 4, 2012

## SENATE BILL

**No. 633**

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### **Introduced by Senator Huff**

#### **(Coauthors: Senators Harman, Runner, and Wolk)**

(Coauthors: Assembly Members *Fletcher, Garrick, Gorell, Hagman, Harkey, Jeffries, Logue, Miller, Nestande, Portantino, and Wagner*)

February 18, 2011

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An act to add Section 16728 to the Government Code, relating to bonds.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 633, as amended, Huff. Bonds: fine for unauthorized use.

The State General Obligation Bond Law provides procedures for use in authorizing the issuance and sale and providing for the repayment of state general obligation bonds.

This bill would incorporate into the State General Obligation Bond Law a provision that provides that if the Department of Finance determines that funds from a bond act are expended for a purpose not authorized by the bond act, and the entity ~~responsible for the funds that is authorized to allocate funds from the sale of bonds~~ does not take the corrective action *or measure* prescribed by the department within ~~a time to be determined by~~ 60 days of receiving notice of the corrective action *or measure* from the department, then the Department of Finance may prohibit the entity that was responsible for the unauthorized use from allocating any additional funds from the ~~bond act sale of those bonds~~.

*The bill would provide that its provisions apply only to the allocation of funds that are authorized under a bond act that is adopted on or after January 1, 2013.*

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 16728 is added to the Government Code,  
2 to read:  
3 16728. (a) The Department of Finance may order any state  
4 board, department, or agency *that is authorized by a bond act that*  
5 ~~incorporates this chapter by reference, in whole or in part,~~ to  
6 allocate funds from the sale of bonds to cease and desist from  
7 ~~doing so allocating any additional funds from the sale of those~~  
8 ~~bonds,~~ provided that the following conditions are met:  
9 ~~(a)–~~  
10 (1) The Department of Finance has audited the board,  
11 department, or agency and made a finding that funds have been  
12 used in a manner not authorized by the bond act.  
13 ~~(b)–~~  
14 (2) The Department of Finance *has* prescribed corrective action,  
15 or any other measure it ~~deemed~~ *deems* necessary, to remedy the  
16 unauthorized use of funds, and ~~provided a date by which has~~  
17 *notified* the board, department, or agency *that it must implement*  
18 *or comply with the prescribed corrective action or measure within*  
19 *60 days of receiving notice of the corrective action or measure.*  
20 ~~(c)–~~  
21 (3) The Department of Finance *has* determined that the board,  
22 department, or agency ~~did has not implement implemented or~~  
23 ~~comply complied~~ with the corrective action ~~by the date specified~~  
24 ~~in subdivision (b) or measure within the 60-day period prescribed~~  
25 ~~in paragraph (2).~~  
26 (b) *Notwithstanding subdivision (a) or any other law, the*  
27 *Department of Finance may not order a corrective action or*  
28 *measure that results in the nonpayment of contractual obligations*  
29 *entered into in good faith, or which have been performed under*  
30 *the contract in good faith, for the rendition of services to the board,*  
31 *department, or agency that is the subject of the audit under this*  
32 *section.*

1     (c) Any cease and desist order issued by the Department of  
2     Finance pursuant to this section shall be reasonably designed to  
3     ensure compliance with the prescribed corrective action or  
4     measure and to avoid unnecessary disruption of the underlying  
5     bond-funded project or program.

6     (d) This section shall apply only to the allocation of funds that  
7     are authorized by a bond act that is adopted on or after January  
8     1, 2013, and that incorporates this chapter by reference, in whole  
9     or in part.

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